

**THE SECOND JUDICIAL DISTRICT COURT
PARISHES OF BIENVILLE, CLAIBORNE
AND JACKSON, LOUISIANA**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Annual Financial Report
June 30, 2014

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The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
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June 30, 2014

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THE SECOND JUDICIAL DISTRICT COURT
PARISHES OF BIENVILLE, CLAIBORNE
AND JACKSON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Second Judicial District Court's financial performance presents a narrative overview and analysis of the District Court's financial activities for the year ended June 30, 2014. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Second Judicial District Court's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The District Court's assets exceeded its liabilities (net position) by \$797,786 on June 30, 2014, and \$779,818 on June 30, 2013. Total net position is comprised of the following:

	<u>2014</u>	<u>2013</u>
Capital assets, net of accumulated depreciation	\$ 16,274	\$ 15,971
Unrestricted net position which represent the portion available to maintain continuing obligations to citizens and creditors	<u>781,512</u>	<u>763,847</u>
Total	<u>\$797,786</u>	<u>\$779,818</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities provide information about the activities of the District Court as a whole and present a longer-term view of the District Court's finances. These statements tell how the services were financed in the short-term as well as what remains for future spending.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities. The District Court uses funds to ensure and demonstrate compliance with finance related laws and regulations. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources at the end of the year. As the Government-Wide Financial Statements includes the long-term view, comparisons between these two views may provide insight into the long-term impact of short-term financing decreases. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the difference between these two views.

OTHER INFORMATION

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and out-flow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Total governmental funds had an ending fund balance of \$781,512 at June 30, 2014, and \$763,847 at June 30, 2013.

FINANCIAL ANALYSIS OF THE DISTRICT COURT AS A WHOLE

Changes in net position may be observed and used to discuss the changing financial position of the District Court as a whole. The following provides a summary of the District Court's net position:

Summary of Net Position

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash & Cash Equivalents	\$781,427	\$754,829
Receivables	21,701	28,766
Capital Assets (net)	<u>16,274</u>	<u>15,971</u>
Total Assets	<u>\$819,402</u>	<u>\$799,566</u>
LIABILITIES:		
Accounts Payable	\$ 8,375	\$ 10,945
Accrued Expenses	<u>13,241</u>	<u>8,803</u>
Total Liabilities	<u>\$ 21,616</u>	<u>\$ 19,748</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 16,274	\$ 15,971
Unrestricted	<u>781,512</u>	<u>763,847</u>
Total Net Position	<u>\$797,786</u>	<u>\$779,818</u>

The District Court continues to maintain operations with no long-term debt. This is an indication of the District Court's ability to pay its obligations as they become due.

The following table provides a summary of the District Court's changes in net position:

	<u>2014</u>	<u>2013</u>
REVENUES:		
Program Revenues:		
Fees, fines & Charges for Services	\$508,464	\$551,039
Operating and Capital Grants	129,663	126,732
General Revenues:		
Miscellaneous	<u>23,735</u>	<u>14,218</u>
Total Revenues	<u>\$661,862</u>	<u>\$691,989</u>
EXPENSES:		
Judicial	<u>643,894</u>	<u>700,256</u>
Change in Net Position	\$ 17,968	\$ (8,267)
Beginning Net Position	<u>779,818</u>	<u>788,085</u>
Ending Net Position	<u>\$797,786</u>	<u>\$779,818</u>

BUDGETARY HIGHLIGHTS

In addition to the basic financial statements and accompanying notes, this report also presents Other Required Supplementary Information consisting of a comparison of budgeted revenues and expenditures to actual revenues and expenditures. For the General Fund, the actual revenues were \$23,715 more than the budgeted amount for the year and expenditures were \$104,393 less than the budgeted amount for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary revenue source is fees and fines received from the civil and criminal court fees. As there are minimal changes expected in the next fiscal year, the budget for FY 2014/2015 should not significantly differ from FY 2013/2014.

CONTACTING THE DISTRICT COURT OFFICE

This financial report is designed to provide a general overview of the District Court's finances, compliance with governmental financial reporting laws and regulations and demonstrate the District Court's commitment to public accountability. If you have additional questions about this report or would like to request additional information, contact the Honorable Jenifer Clason, at Courthouse, Homer, Louisiana, 71040.

Johnson, Thomas & Cunningham

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Jenifer Clason, Chief Judge
The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Second Judicial District Court (District Court) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District Court's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District Court as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District Court's basic financial statements. The budgetary comparison listed as required supplementary information in the table of contents and the other supplementary information, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison statements and the other supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Court's internal control over financial reporting and compliance.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 14, 2014

Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Net Position
June 30, 2014

	Governmental <u>Activities</u>
ASSETS:	
Current Assets-	
Cash & Cash Equivalents	\$781,427
Revenue Receivables	<u>21,701</u>
Total Current Assets	\$803,128
Noncurrent Assets-	
Capital Assets (Net)	<u>16,274</u>
Total Assets	<u>\$819,402</u>
LIABILITIES:	
Accounts Payable	\$ 8,375
Accrued Expenses	<u>13,241</u>
Total Liabilities	<u>\$ 21,616</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 16,274
Unrestricted	<u>781,512</u>
Total Net Position	<u>\$797,786</u>

The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Activities
June 30, 2014

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Fees, Fines, Commissions, And Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Judicial	<u>\$643,894</u>	<u>\$508,464</u>	<u>\$129,663</u>	<u>\$0</u>	<u>\$ (5,767)</u>
General Revenues:					
		Interest Income			\$ 5,758
		Miscellaneous			<u>17,977</u>
		Total General Revenues			<u>\$ 23,735</u>
		Change in Net Position			\$ 17,968
		Net Position at Beginning of Year			<u>779,818</u>
		Net Position at End of Year			<u>\$797,786</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Balance Sheet-Governmental Funds
June 30, 2014

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	
	<u>Special Revenue Funds</u>				Total
	<u>General</u>	<u>Probation</u>	<u>IV-D</u>	<u>FINS</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Collection Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS:					
Cash & Cash Equivalents	\$329,900	\$324,694	\$72,827	\$54,006	\$ 781,427
Revenue Receivables	<u>21,701</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,701</u>
Total Assets	<u>\$351,601</u>	<u>\$324,694</u>	<u>\$72,827</u>	<u>\$54,006</u>	<u>\$ 803,128</u>
LIABILITIES:					
Accounts Payable	\$ 5,970	\$ 0	\$ 2,405	\$ 0	\$ 8,375
Accrued Expenses	<u>12,890</u>	<u>351</u>	<u>0</u>	<u>0</u>	<u>13,241</u>
Total Liabilities	<u>\$ 18,860</u>	<u>\$ 351</u>	<u>\$ 2,405</u>	<u>\$ 0</u>	<u>\$ 21,616</u>
FUND BALANCE:					
Restricted for:					
Special Purposes	\$ 0	\$324,343	\$70,422	\$54,006	\$ 448,771
Unassigned	<u>332,741</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>332,741</u>
Total Fund Balances	<u>\$332,741</u>	<u>\$324,343</u>	<u>\$70,422</u>	<u>\$54,006</u>	<u>\$ 781,512</u>
Total Liabilities and Fund Balances	<u>\$351,601</u>	<u>\$324,694</u>	<u>\$72,827</u>	<u>\$54,006</u>	<u>\$ 803,128</u>

Amounts reported for Governmental Activities
in the Statement of Net Position are different because:

Total Fund Balance	\$ 781,512
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Capital Assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the funds-

Capital Assets	315,383
Less, Accumulated Depreciation	<u>(299,109)</u>

Net Position of Governmental Activities	<u>\$ 797,786</u>
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The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Funds
June 30, 2014

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>		<u>FINS Fund</u>	
		<u>Probation Fund</u>	<u>IV-D Collection Fund</u>		
REVENUES:					
Intergovernmental-					
State	\$ 17,791	\$ 0	\$ 0	\$29,529	\$ 47,320
Parish	82,343	0	0	0	82,343
Fees & Fines-					
Civil Fees	37,061	0	0	0	37,061
Criminal Court Fees	184,864	95,661	190,878	0	471,403
Miscellaneous-					
Interest	3,179	2,519	33	27	5,758
Other	<u>17,977</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,977</u>
Total Revenues	<u>\$ 343,215</u>	<u>\$ 98,180</u>	<u>\$ 190,911</u>	<u>\$29,556</u>	<u>\$ 661,862</u>
EXPENDITURES:					
Judicial-					
Auto	\$ 19,200	\$ 0	\$ 0	\$ 0	\$ 19,200
Books & Library	22,171	0	0	0	22,171
Conference & Seminars	16,019	0	138	1,197	17,354
Contracted Services, Personal Services, & Benefits	326,036	71,398	39,853	26,735	464,022
Dues & Subscriptions	1,042	0	100	100	1,242
Insurance	25,080	0	0	0	25,080
Legal & Accounting	11,489	0	0	0	11,489
Miscellaneous	6,564	700	3	0	7,267
Office Supplies	13,969	2,996	180	275	17,420
Repairs & Maintenance	2,979	9,649	0	0	12,628
Travel	19,023	0	1,424	776	21,223
Utilities & Telephone	13,726	1,595	0	899	16,220
Capital Outlay	<u>8,059</u>	<u>0</u>	<u>822</u>	<u>0</u>	<u>8,881</u>
Total Expenditures	<u>\$ 485,357</u>	<u>\$ 86,338</u>	<u>\$ 42,520</u>	<u>\$29,982</u>	<u>\$ 644,197</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$(142,142)</u>	<u>\$ 11,842</u>	<u>\$ 148,391</u>	<u>\$ (426)</u>	<u>\$ 17,665</u>

Continued next page

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Funds
June 30, 2014

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>Special Revenue Funds</u>				<u>Governmental</u>
	<u>General</u>	<u>Probation</u>	<u>IV-D</u>	<u>FINS</u>	<u>Funds</u>
	<u>Fund</u>	<u>Fund</u>	<u>Collection Fund</u>	<u>Fund</u>	
OTHER FINANCING SOURCES (USES):					
Operating Transfer In	\$ 169,605	\$ 16,701	\$ 0	\$ 0	\$ 186,306
Operating Transfer Out	<u>(16,701)</u>	<u>(32,189)</u>	<u>(136,208)</u>	<u>(1,208)</u>	<u>(186,306)</u>
Total Other Financing	<u>\$ 152,904</u>	<u>\$ (15,488)</u>	<u>\$(136,208)</u>	<u>\$ (1,208)</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 10,762	\$ (3,646)	\$ 12,183	\$ (1,634)	\$ 17,665
Fund Balances- Beginning of Year	<u>321,979</u>	<u>327,989</u>	<u>58,239</u>	<u>55,640</u>	<u>763,847</u>
Fund Balances- End of Year	<u>\$ 332,741</u>	<u>\$324,343</u>	<u>\$ 70,422</u>	<u>\$54,006</u>	<u>\$ 781,512</u>

The accompanying notes are an integral part of this statement.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balance-Governmental Funds	\$17,665
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Amounts reported for Governmental Activities
in the Statement of Activities are different because:

Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. The cost of Capital Assets recorded in the current period is	8,881
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Depreciation expense on Capital Assets is reported in the Government-wide Financial Statements, but does not require the use of current financial resources and is not reported in the Fund Financial Statements. Current year depreciation expense is	<u>(8,578)</u>
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Net Change in Net Position per Statement of Activities	<u>\$17,968</u>
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The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

Introduction:

The Second Judicial District Court (District Court) of Louisiana is comprised of the parishes of Bienville, Claiborne and Jackson located in north Louisiana. The District Court includes three judges with one judge being designated as the chief judge. The District Court may collect fees on civil suits and criminal cases to aid in the administering of the District Court and of the offices of the individual judges; these fees cannot be used for salaries to the judges. The judges are elected by the qualified electors of the judicial district for a term of six years.

1. Summary of Significant Accounting Policies:

A. Reporting Entity-

Governmental Accounting Standards Board Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. For financial reporting purposes, in conformance with GASB Statement No. 14, the Second Judicial District Court includes all funds that are within the oversight responsibility of the District Court. Oversight responsibility is determined on the basis of appointment of governing body, ability to significantly influence operations, accountability for fiscal matters, and the nature and significance of an organization's relationship with the primary government. Based on consideration of the foregoing criteria, the District Court is deemed to be a separate reporting entity. Certain units of local government over which the District Court exercises no oversight responsibility, such as the parish police jury, parish school board, other independently-elected officials, and municipalities within the three parishes, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the District Court.

B. Basis of Presentation-

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position presents the governmental-type activities on a consolidated basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District Court's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

C. Fund Accounting-

The accounts of the District Court are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District Court maintains four funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or if its total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The major funds of the District Court are described below:

Governmental Funds-

General Fund

The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds-

Probation Fund

Code of Criminal Procedure Article 894 A(1) stated that as of 1989, the Department of Probation and Parole would not supervise probation in misdemeanor cases. Article 894 A(1) authorized the court to place the defendant on probation with a "probation office" designated by the court upon such conditions as the court may fix. Additionally, Article 895 1(C) of the Code of Criminal Procedure provides for a monthly probation fee to be paid to the agency providing supervision. The Probation Fund was established as the designated "probation office". The Probation Fund accounts for the collection of the monthly probation fees and expenditures of maintaining the probation offices.

IV-D Collection Fund

The IV-D Collection Fund accounts for the collection of a five percent fee assessed on child support payments as provided by Louisiana Revised Statute 46:236.5 and the expenditures related to the establishment, modification, and enforcement of support obligations.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

D. Measurement Focus/Basis of Accounting-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the District Court as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District Court considers all revenues "available" if collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

E. Assets, Liabilities, and Equity-

Cash and Interest-Bearing Deposits-

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the District Court.

Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District Court maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of useful lives by type of asset is as follows:

Fixtures & Equipment	5-7 years
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Equity Classifications-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted resources first, unless a determination is made to use restricted net resources. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

- d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance - amounts that are available for any purpose. Only the General Fund would report positive amounts in unassigned fund balance.

The General Fund has an unassigned fund balance of \$332,741. If applicable, the District Court would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

F. Budget-

Prior to the beginning of each fiscal year, the District Court adopts a budget for the General Fund and each Special Revenue Fund for the next fiscal year. The budgets are open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budgets are prepared on the modified accrual basis of accounting.

G. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents:

The cash and cash equivalents of the District Court are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District Court that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District Court's name.

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June 30, 2014

At June 30, 2014, the District Court had cash and cash equivalents with a carrying balance totaling \$781,427 and bank balances totaling \$788,994. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the District Court. All of the Second Judicial District Court's deposits were properly secured at June 30, 2014. Of the \$788,994 in bank balances, \$500,392 was secured by federal deposit insurance and \$288,602 was secured by pledged securities.

3. Compensated Absences:

Employees of the Second Judicial District Court cannot carry leave forward from year to year. Therefore, there is no accrual made for compensated absences.

4. Capital Assets:

Capital Asset balances and activity for the year ended June 30, 2014, is as follows:

<u>Activities</u>	<u>Balance 07-01-13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-14</u>
Capital Assets Depreciated:				
Office Furniture, Fixtures & Equipment	\$306,502	\$8,881	\$0	\$315,383
Less, Accumulated Depreciation:				
Office Furniture, Fixtures & Equipment	<u>290,531</u>	<u>8,578</u>	<u>0</u>	<u>299,109</u>
Net Capital Assets	<u>\$ 15,971</u>	<u>\$ 303</u>	<u>\$0</u>	<u>\$ 16,274</u>

Depreciation expense of \$8,578 was charged to the Judicial function.

5. Pension Plan:

Louisiana State Employees' Retirement System (LASERS)

Plan Description. All full-time administrative employees are required to participate in the System. Excluded by law are independent contractors and certain other non-employee relationships. Participants who retire at the following ages, after the stated years of creditable service, are entitled to a retirement benefit as calculated by the LASERS benefit formula:

At any age	after 30 years of creditable service
At age 55	after 25 years of creditable service
At age 60	after 10 years of creditable service
At age 50	with 10 years, if retiring from a position which is being eliminated

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Notes to Financial Statements
June 30, 2014

Additionally, participants may retire with 20 years of service credit at any age with actuarially reduced benefits. LASERS benefit formula is designed so a retiree receives a maximum retirement benefit equal to 2.5% of their final average compensation for every year of creditable service; an additional \$300 is applied if a participant joined LASERS before July 1, 1986. Benefits may not exceed 100% of final average compensation. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

The System also provides death and disability benefits. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employee's Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. Plan members are required to contribute 7.5 percent of their annual covered salary and the Second Judicial District Court is required to contribute at an actuarially determined rate. The current rate is 31.3 percent of annual covered payroll. The contribution requirements of plan members and the Second Judicial District Court are established and may be amended by state statute. As provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Second Judicial District Court's contributions to the System for the years ending June 30, 2014, 2013 and 2012, were \$58,850, \$60,092, and \$54,605, respectively, equal to the required contributions for each year.

The Second Judicial District Court Judges are members of the Louisiana State Employees' Retirement System. Judges of the District Court are paid directly by the state and the state pays the employer contribution on their behalf. For that reason, contributions made on behalf of the judges are not included in the amounts referenced in the above paragraph. Additionally, any variances, if any, in "Plan Description" or "Funding Policy" are not included in this note.

6. Expenditures of the Judicial District Not Included in the Accompanying Financial Statements:

The accompanying financial statements do not include certain salary or administrative expenditures for the District Court paid out of the funds of the Bienville, Claiborne or Jackson Parish Police Juries or directly by the State.

7. Litigation:

Management has advised that there is no litigation pending against the Second Judicial District Court at June 30, 2014.

8. Interfund Transfers:

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Notes to Financial Statements
June 30, 2014

The following is a summary of interfund operating transfers:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$169,605	
Special Revenue Funds- Probation	16,701	
General Fund		\$ 16,701
Special Revenue Funds- FINS Fund		1,208
Probation		32,189
IV-D Collection Fund	_____	<u>136,208</u>
Totals	<u>\$186,306</u>	<u>\$186,306</u>

Transfers are primarily used to move funds from the Special Revenue Funds to the General Fund so that excess revenues can be used for governmental services.

9. Subsequent Events:

Management has evaluated events through October 14, 2014, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED
SUPPLEMENTAL INFORMATION

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental-				
State	\$ 0	\$ 0	\$ 17,791	\$ 17,791
Parish	80,000	80,000	82,343	2,343
Fees & Fines-				
Civil Fees	40,000	40,000	37,061	(2,939)
Criminal Court Fees	201,000	181,000	184,864	3,864
Miscellaneous-				
Interest	3,500	3,500	3,179	(321)
Other	<u>15,000</u>	<u>15,000</u>	<u>17,977</u>	<u>2,977</u>
Total Revenues	<u>\$ 339,500</u>	<u>\$ 319,500</u>	<u>\$ 343,215</u>	<u>\$ 23,715</u>
EXPENDITURES:				
Advertising	\$ 750	\$ 750	\$ 15	\$ 735
Association Dues	1,500	1,500	1,042	458
Auto Expenditures	20,000	20,000	19,200	800
Contracted Services	8,000	8,000	6,720	1,280
Court Reporters	15,000	15,000	1,751	13,249
Court Reporters-Supplies	1,500	1,500	0	1,500
Insurance	25,500	25,500	25,080	420
Judicial Per Diem	13,000	13,000	4,263	8,737
Legal & Accounting	20,000	20,000	11,489	8,511
Periodicals & Library	37,000	37,000	22,171	14,829
Office Supplies	15,000	15,000	9,558	5,442
Miscellaneous	1,500	1,500	4,784	(3,284)
Payroll Taxes	2,500	2,500	2,398	102
Repair & Maintenance	5,000	5,000	2,979	2,021
Retirement	51,000	51,000	58,850	(7,850)
Salaries	240,000	240,000	256,318	(16,318)
Seminars/Conventions	30,000	30,000	16,019	13,981
Supplies	8,000	8,000	4,410	3,590
Travel	25,000	25,000	14,760	10,240
Taxes & Licenses	1,500	1,500	1,765	(265)
Utilities & Telephone	18,000	18,000	13,726	4,274
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>8,059</u>	<u>41,941</u>
Total Expenditures	<u>\$ 589,750</u>	<u>\$ 589,750</u>	<u>\$ 485,357</u>	<u>\$ 104,393</u>

Continued next page

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
(Deficiency) of Revenues over Expenditures	<u>\$(250,250)</u>	<u>\$(270,250)</u>	<u>\$(142,142)</u>	<u>\$128,108</u>
OTHER FINANCING SOURCES (USES):				
Transfer from Probation	\$ 50,000	\$ 50,000	\$ 32,189	\$ (17,811)
Transfer to Probation	0	0	(16,701)	(16,701)
Transfer from FINS	0	0	1,208	1,208
Transfer from IV-D	<u>130,000</u>	<u>130,000</u>	<u>136,208</u>	<u>6,208</u>
Total Other Financing	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 152,904</u>	<u>\$ (27,096)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ (70,250)</u>	<u>\$ (90,250)</u>	<u>\$ 10,762</u>	<u>\$101,012</u>
Fund Balance-Beginning of Year	<u>321,979</u>	<u>321,979</u>	<u>321,979</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 251,729</u>	<u>\$ 231,729</u>	<u>\$ 332,741</u>	<u>\$101,012</u>

See notes to financial statements.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
Probation Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Budget Amounts</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fees, Charges, and			
Commissions for Services	\$ 95,000	\$ 95,661	\$ 661
Miscellaneous	<u>2,800</u>	<u>2,519</u>	<u>(281)</u>
Total Revenues	<u>\$ 97,800</u>	<u>\$ 98,180</u>	<u>\$ 380</u>
EXPENDITURES:			
Judicial	\$ 81,700	\$ 86,338	\$ (4,638)
Capital Outlay	<u>13,500</u>	<u>0</u>	<u>13,500</u>
Total Expenditures	<u>\$ 95,200</u>	<u>\$ 86,338</u>	<u>\$ 8,862</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 2,600	\$ 11,842	\$ 9,242
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund	\$ 0	\$ 16,701	\$16,701
Transfer to General Fund	<u>(50,000)</u>	<u>(32,189)</u>	<u>17,811</u>
Total Other Financing	<u>\$ (50,000)</u>	<u>\$ (15,488)</u>	<u>\$34,512</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Sources	\$ (47,400)	\$ (3,646)	\$43,754
Fund Balance-Beginning of Year	<u>327,989</u>	<u>327,989</u>	<u>0</u>
Fund Balance-End of Year	<u>\$280,589</u>	<u>\$324,343</u>	<u>\$43,754</u>

See notes to financial statements.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Major Fund
IV-D Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Budget Amounts</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fees, Charges, and			
Commissions for Services	\$ 170,000	\$ 190,878	\$20,878
Miscellaneous	<u>50</u>	<u>33</u>	<u>(17)</u>
Total Revenues	<u>\$ 170,050</u>	<u>\$ 190,911</u>	<u>\$20,861</u>
EXPENDITURES:			
Judicial	\$ 46,200	\$ 41,698	\$ 4,502
Capital Outlay	<u>10,000</u>	<u>822</u>	<u>9,178</u>
Total Expenditures	<u>\$ 56,200</u>	<u>\$ 42,520</u>	<u>\$13,680</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 113,850	\$ 148,391	\$34,541
OTHER FINANCING SOURCES (USES):			
Transfer to General Fund	<u>\$(130,000)</u>	<u>\$(136,208)</u>	<u>\$ (6,208)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Sources	\$ (16,150)	\$ 12,183	\$28,333
Fund Balance-Beginning of Year	<u>58,239</u>	<u>58,239</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 42,089</u>	<u>\$ 70,422</u>	<u>\$28,333</u>

See notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Nonmajor Fund
FINS Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Budget Amounts</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental	\$ 28,000	\$29,529	\$ 1,529
Interest	<u>500</u>	<u>27</u>	<u>(473)</u>
Total Revenues	<u>\$ 28,500</u>	<u>\$29,556</u>	<u>\$ 1,056</u>
EXPENDITURES:			
Judicial	\$ 34,650	\$29,982	\$ 4,668
Capital Outlay	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Expenditures	<u>\$ 39,650</u>	<u>\$29,982</u>	<u>\$ 9,668</u>
Excess (Deficiency) of Revenues over Expenditures	\$(11,150)	\$ (426)	\$10,724
OTHER FINANCING SOURCES (USES):			
Transfer to General Fund	<u>0</u>	<u>(1,208)</u>	<u>(1,208)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$(11,150)	\$ (1,634)	\$ 9,516
Fund Balance-Beginning of Year	<u>55,640</u>	<u>55,640</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 44,490</u>	<u>\$54,006</u>	<u>\$ 9,516</u>

See notes to financial statements.

OTHER REPORTS

Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Jenifer Clason, Chief Judge
The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Second Judicial District Court's (District Court) basic financial statements and have issued our report thereon dated October 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Second Judicial District Court
Parishes of Bienville, Claiborne and Jackson, Louisiana
Schedule of Audit Results
Year Ended June 30, 2014

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the Second Judicial District Court as of and for the year ended June 30, 2014.
2. The audit did not disclose any significant deficiencies in internal control.
3. The audit did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

No findings.

III. PRIOR YEAR AUDIT FINDINGS

Internal Control-

13-01 Segregation of Duties

Finding - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Current Status – This condition was cleared at June 30, 2014.

Compliance-

13-02 Cash Balance Unsecured

Finding - The cash balance in the bank was not fully secured by FDIC or pledged securities.

Current Status – This condition was cleared at June 30, 2014.

13-03 Excessive Lodging Expenditures

Finding – The District Court has a travel policy applicable to the judges that conforms to the Supreme Court General Administrative Rules, but there is no travel policy for the staff. During our test of travel expenditures, we noted instances in which some of the judges were provided lodging in excess of the travel policy. We also noted that staff members were provided with lodging in excess of the allowable rate for the judges.

Current Status – This condition was cleared at June 30, 2014.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 14, 2014
Natchitoches, Louisiana